


**APPRAISAL OF INTERNAL CONTROL SYSTEM OF KWAMANMAN
RURAL BANK LIMITED**

BY

AGYEMANG BADU EBENEZER B.ED. SOC. SCI., ACCOUNTING

KNUST

**A THESIS SUBMITTED TO THE DEPARTMENT OF
ACCOUNTING AND FINANCE
KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY
IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE
DEGREE OF
MASTER OF BUSINESS ADMINISTRATION (ACCOUNTING OPTION)
FACULTY OF ARTS AND SOCIAL SCIENCES
SCHOOL OF BUSINESS**



AUGUST 2009

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DECLARATION

I hereby declare that this submission is my own work towards the award of MBA and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the university, except where due acknowledgment has been made in the text.

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I am thankful to God for remaining faithful in granting me life, wisdom, strength and grace to obtain education to this level.

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I shall forever remain indebted to Mr. Anthony Amponsah, my brothers and sisters for their financial support and encouragement they offered me.

I am also most grateful to all my friends especially Mr. Asiamah Sampson and my dear one Felodia Nyarkoh for their care, prayer and encouragement offered to me. May God richly bless you

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DEDICATION

This work is dedicated to my parents; Madam Rose Kwartemaa and the late Nana Kwaku Duah.

KNUST



ABSTRACT

Since its independence in 1957, the Ghanaian government has made several attempts to promote rural development in an effort to improve the living standard of people who reside in rural areas. (Kudiabor, 1972). These attempts failed for several reasons including the power of lobbying groups, the high cost of living for farmers and the lack of coordination between government agencies. In the last three decades the Ghanaian government through the introduction of rural banking has to some extent enabled rural dwellers to mobilized resources in the rural dwellers to mobilized resources in the rural areas, build banking habits and access to credit among rural dwellers

It is perceived that if the internal control systems instituted by management of the rural banks are not reviewed constantly to ensure compliance, effectiveness and efficiency these rural banks will collapsed. It was against this background that the researcher decided to appraise the internal control system of the rural banks with a case of Kwamanman rural bank in the Sekyere Central District of the Ashanti region of Ghana. The study aimed among other things to ascertain the internal control system relating to credit management, treasury management and deposits and withdrawals, compare these internal controls with the principles and guidance on internal control system, identify strength and weaknesses and make appropriate recommendations .

The internal auditor and the project officer who are involved in internal controls and credit management respectively were purposely selected. However, seven

out of the fourteen branch managers and accountants were selected from the seven branches of the bank. Also, seven out of the fourteen accounts clerks were considered for the study.

The main instruments used by the researcher in collecting data for the study were questionnaire and observation.

It was discovered from the findings that there were specific controls relating to deposits, withdrawals and credit management, however, there was no specific control for treasury management. Also it was discovered that even though they exist, they were not regularly reviewed. It was also revealed that the internal audit section of the bank did not have planned and comprehensive audit programme. It was also unravelled that the control component of the internal control was very weak as the banks ethical and beliefs did not emphasized on the need to ensure effective internal control system.

It was recommended that management of the bank should constantly review the internal control system to ensure that are adequate and effective. Also management monitory mechanism should be strengthening by clearly showing and defining line of authority to ensure compliance.

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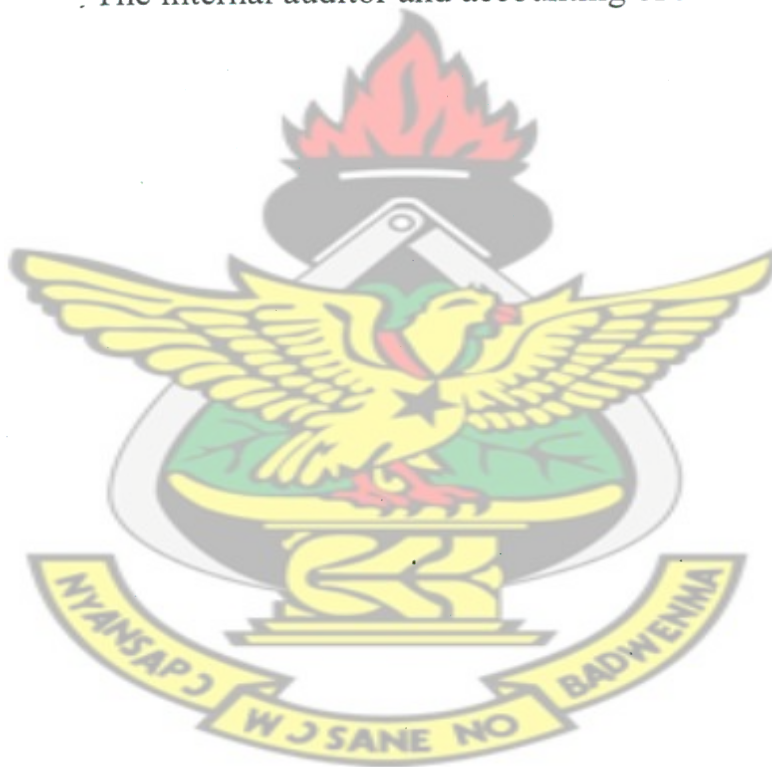
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CHAPTER ONE

RESEARCH INTRODUCTION AND CONTEXT

1.0 BACKGROUND OF THE STUDY

Since its independence in 1957, the Ghanaian government has made several attempts to promote rural development in an effort to increase the living standard of the people who reside in rural areas (Kudiabor, 1972). These projects have fail for several reasons, including the power of lobbying groups, the high cost of living for farmers and the lack of coordination between government agencies (Amonoo, 1977; Brown, 1986; and Opoku-Afriyie, 1974). In the last three decades, the Ghanaian government has instituted new changes in government organization and until recently very few rural people, other than wealthy farmers and businessmen, had access to credit from these sources. The lack of interest in small rural credits by the National Investment Bank and the Commercial Banks is explained by the high cost of administering a large number of small credits spread over a wide area, coupled with compensatively high level of default that has often accompanied small credits.

The inability of rural borrowers to offer adequate security for loans and the enormous risks associated with agricultural production, are the typical reasons given for the urban-based bias of commercial lending. The Agricultural Development Bank was created to Service the rural sector in particular. It also however, eventually began to concentrate on traditional urban based banking activities.

To overcome many of these difficulties, the Ghanaian government through the Bank of Ghana, introduced the idea of rural banking into the country in 1976. A rural bank is a private unit bank organized in the rural communities for the purpose of mobilizing rural funds and applying them in the extension of credit to peasant farmers and other small scale enterprises in the rural areas in which the bank is located. A rural bank has the power to engage in the business of banking within the framework and limitation in the manner provided for in the banking Act of 1970 and in the guidelines used by the Bank of Ghana. According to the Association of Rural Banks (1992), the aims of Rural Banks are:

- i. To stimulate banking habits among money rural dwellers.
- ii. To mobilize resources locked up in the rural areas into the banking systems to facilitate development.
- iii. To identify viable industries in their respective catchments (areas) for investment and development.

When companies such as rural bank suddenly collapse, the often resounding question is what went wrong? A breakdown in the internal control is the usual cause. Internal control is a process that guides an organization towards achieving its objectives. These objectives include operational efficiency and effectiveness, reliability of financial reporting, and compliance with relevant laws and regulations (COSO, 1992). Absence of these variables often results in organizational failure. The findings of the Treadaway Commission report of 1987 in the United States (USA) confirmed absence of, or weak, internal control as a

primary cause of fraudulent company financial reporting. Effective internal controls are the foundation of safe and sound banking.

1.2 Statement of the Problem.

The internal control system of Rural Banks has come under serious threat since the inception of Rural Banking in Ghana. This is because there is a perception of fraud in the rural banking sector. Kwamanman Rural Bank has been in existence for the past twenty seven years. Its objectives were to help the economically active people in its catchments area to cultivate banking habit and to provide credit to rural dwellers to engage in viable economic activities to improve their livelihood. However, the internal control mechanism has been observed to be inadequate. It looks like the banks internal controls do not conform to the general principles and guidelines on effective internal control system. The best way to be clear about the banks internal control is to identify the actual internal control in operation at the bank. It is in this vain that the researcher sought to study the internal control of the bank in relation to the internal control and basic guidelines and principle of internal control

1.4 Objectives of the study

The objective of the study is to appraise the internal control system of Kwamanman rural bank in Ashanti region of Ghana. Specifically, the objectives of the study is to

1. Ascertain the internal control system relating to credit management, treasury, deposits and withdrawals.
2. Compare these internal controls with guidelines and principles of internal control.
3. Identify the strengths and weaknesses of the internal controls of the bank.
4. Make appropriate recommendations aimed at strengthening the bank's internal control system.

1.5 Justification of the study

The government of Ghana over the years has made substantial effort towards the development of the rural areas through various interventions. One of the interventions is the introduction of rural banking as a way of mobilizing locked up resource in the rural areas. It therefore follows logically that the government has taken keen interest in the survival of these banks. The use of internal control system has been seen as a way of safe guarding the resources of the banks. It is in this direction that the managing director of the ARB Apex Bank, Mr. Emmanuel Kwapong indicated in a speech at the 15th Annual General meeting of the Assinman Rural bank at Assin Manso in the central region that "A good bank without proper internal control is only waiting for a disaster to occur". He also reiterated that rural banks should strengthen its internal controls mechanism and ensures strict compliances with rules and procedures on clearing in order to forestall any attempt at defrauding the bank. The collapse of Atobiase and Tanogya Rural Banks has been attributed to the poor, inadequate and ineffective internal control system. Corporate accounting scandals occur where the systems of

internal control are abused by those responsible for their operational effectiveness. This implies that if the internal control is inadequate or weak it greatly affects the bank.

It is hope that the findings of the study will unearth the actual internal control system in operations in the rural banks and Kwamanman in particular. It is also expected that the findings will add to the available literature on the subject.

Furthermore, it will guide policy makers; Board of directors, internal and external auditors, of rural banks especially Kwamanman rural bank and bank of Ghana as inspection and supervision division to identify ways of ensuring full compliances of internal control.

1.6 The Scope of the Study

The study is about the internal control system of Kwamaman rural bank. Specifically, the internal controls considers include controls relating to credit management, treasury management, deposits and withdrawals. The purpose for the chosen bank is that it is considered one of fastest growing rural bank and that failure to ensure adequate and effective internal controls will result in great loss bank. To ensure compliance of their guidelines on internal controls as a way of ensuring reasonable assurance of operations are effective and efficient to be able to safeguard the assets of the bank.

1.8 Limitation of the Study

The research work covers only the internal control system of Kwamanman rural bank in Ashanti Region of Ghana out of numerous rural banks in Ashanti. Future research could examine whether the result of this study generalize to other rural banks. This is due to failure of many banks to disclose valuable information by personnel in the Banks. Auditors normally use both narratives and flowcharts document to understand their clients internal controls (Bierstaker 1999). However, this study did not use these methods. Another potential limitation of the interference condition with information was that it was not schematically organized. In addition, recent research in accounting has shown the effects of interference on evaluation of internal control information. (Frederick, 1991; 1992). There was little research on the internal control in financial institution in Ghana or even in developing countries generally. Prior research in financial institutions had concentrated on financial analysis. Therefore, most of references in this study were based on research undertaken in developed countries. Comparability was a problem in this study because of the differences between rural banks in developed and developing countries, in term of their organizational structural, environmental, and management variables.

1.8 Organization of the Study

The researcher work is structured into five (5) chapters. Each chapter tries to deal with a particular aspect of the whole study. The first chapter which is the introduction stage deals basically with the Background of the study, statement of

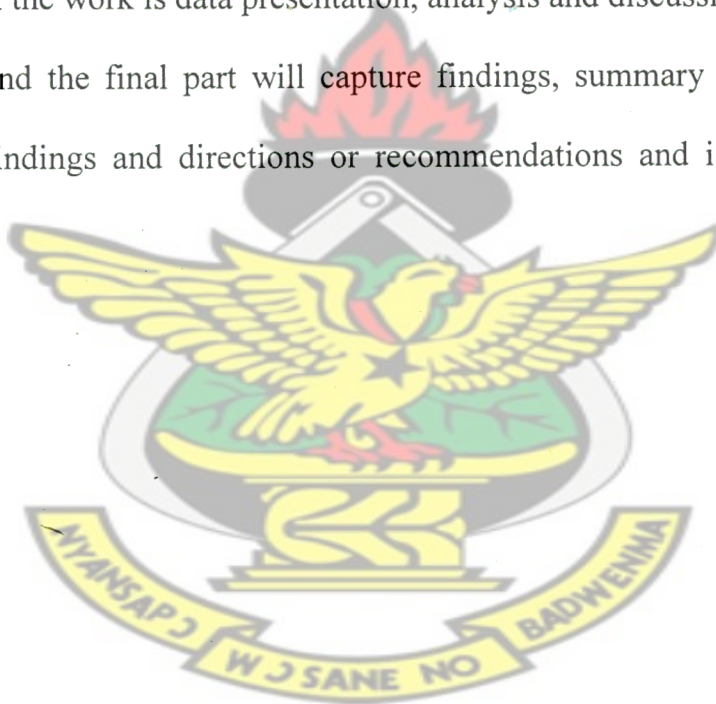
the problem, objectives of the study, justification, scope and limitation of the study.

Chapter two deals with review of prior literature of theoretical approaches to effective and adequate internal control systems, principles and guidelines for effective internal control, types of internal controls and etc.

Chapter three introduces methodology that will be employ in this study and also discuss the method of data collection, the data availability and also statistical technique which will be used to interpret findings of the work.

Chapter four of the work is data presentation, analysis and discussions.

Chapter five and the final part will capture findings, summary of the findings, relevance of findings and directions or recommendations and issues for future studies.



CHAPTER TWO

REVIEW OF PRIOR LITERATURE

2.0 Introduction

This chapter contains a review of prior literature related to the topic “Appraisal of internal control system in Kwamanman rural bank as documented by authorities.

The review is broken down to the following sub-headings.

- 2.1 Meaning and overview of internal control system.
- 2.2 Elements of internal control
- 2.3 Critical components of internal control system
- 2.4 Principles of internal control system.
- 2.5 Determinants of weaknesses of internal control system
- 2.6 Elements of sound internal control system
- 2.7 Maintaining a sound system of control, the responsibility of Board of directors and internal auditors
- 2.8 Internal control and inherent limitations
- 2.9 Conceptual framework

2.1 The meaning and overview of internal control

The institute of internal auditors (IIA) defines internal control as all means designed to promote, govern and check upon various activities for the purpose of seeing that enterprise objectives are met. The institute of chartered accountant Ghana, manual 2008, defined internal control system as policies and procedures adopted by the management of entity to assist in their objectives of achieving as

far as practicable the orderly and efficient adherence to internal policies, the safeguarding of resources, detection of fraud, completeness of the accuracy and completeness of the accounting records of reliable financial information. Messier et al (2006) also indicated that internal control is designed and affected by an entities board of directors, management and other personnel to provide reasonable assurance about management, and other personnel to provide reasonable assurance about the achievement of the objectives. From the definitions by Messier (2006) and (ICA Manuel 2008) it is clear that internal control is seen as the responsibility of the top management. The Basel Committee (1998) also affirms that internal control of every organization is affected by the Board of Directors, Senior Management and Personnel of all levels. However the committee observed that internal control is a process, the committee further indicated that it is not only solely a procedure or policy that is perform at certain point in time but rather a continually operating at all levels within the bank. Gray and Manson (2002) also supported the statement that internal control system is a process by indicating that internal control is not static but it evolves overtime and is a process for achieving objectives that should be identified before hand.

The Balse Committee (1998) recognized that internal control systems are designed to achieve certain objectives as indicated Gray and Manson (2002). The Committee Categories the objectives of internal control process as efficiency and effectiveness of operations (operational objectives) reliability and completeness of financial and management information (information objective) and compliance with applicable laws and regulations (compliance objectives). Botsio, 2002 also

noted that the primary objectives for instituting internal control system is to ensure that the general activities of the organization, including its operations, comply with legal regulations as well as the policies, plan, procedures and standards of the company. The underlying theme of the internal control which has been seen as a process is designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effective and efficiency of operations.
- Reliability of financial reporting
- Compliance with applicable laws and regulations.

Internal control system according to Banking Regulation and Supervision Board (2001) is all of the financial, operational and other control systems which are carried out by internal controllers and which involve monitoring, independent evaluation and timely reporting to management levels systematically in order to ensure that all the bank activities are performed by management levels in accordance with current policies, methods, instructions and limits;

2.2 Elements of Internal Control System

The Internal Control Process which historically has been a mechanism, for reducing instances of fraud, misappropriation and errors has recently become more extensive addressing all various risks faced by banking organizations. It is however recognized that sound internal control process is critical to a banks ability to meet its established goals and objectives and maintain its financial viability (Balse Committee 1998).

Botsio, (2002) categories internal control into three forms namely preventive controls, detective controls and corrective control. Brewer (2004) also recognized three classes of control namely preventive, detective and reactive controls

2.2.1 Prevention Control

Prevention control seeks to ensure that the impact never materialized. This type of control either prevents the event from occurring or affecting the organization or detects the events as it happens and prevents any further activity that may lead to an impact. Botsio, 200, also indicates that preventive control is easier as well as chapter to institute such controls than to spend money trying to trace error and fraud.

Due to the inherent limitations in most control systems additional procedures are necessary if errors and frauds that occur are to be detected. Brewer (2004) stresses that detective control identifies event that have occurred and could lack the materialization of the impact and invoke appropriate actions to arrest (or mitigate) the situation.

2.2.2 Reactive Control

The types of control which identify the impact has occurred and invoke appropriate actions to recover (or mitigate) the situation.

The basic rules on internal control which were contained in the auditing guideline on internal control issued by the auditing practice committee which is considered

as statue valuable by Gray and Manson (2004) in evaluating control system are segregation of duties, physical controls, authorization and approvals, arithmetical and accounting controls personnel control, supervision controls, management controls. The Basel committee also recognized internal control consists of five interrelated elements namely management oversight and control culture, risk assessment, control activities, information and communication and monitoring activities.

2.3. Critical Components of internal control system

The office of the controller of currency, Washington D.C. (2002) identified that the formality of any control system will depend largely on a bank's size and the complexity of its operations. The office further noted that even though community banks operations are likely to be less formal and less structured, a bank's internal control system should be as effective as those at more complex and larger banks. Committee of sponsoring organizations of tread way commission (1992) outlined five essential components of any internal control system. These include control environment, risk assessment control activities, accountancy, information and communication systems and self-assessment or monitoring. The Baise committee (1998) also identified these as a major element and captioned as management oversight and the control culture, risk assessment, control activities, information and communication and monitoring activities. The Baise committee further noted that the problems observed in recent large losses at banks can be aligned with these five elements. The effective functioning of these elements is essential to achieving banks operational, information and communication needs.

2.3.1 Control Environment

Control Environment means the overall attitude, awareness and action of management regarding internal controls and their importance. It encompasses management style, corporate culture, values, philosophy and operating cycle, organizational structure, personnel policies and procedure (ICAG, manual.2008.)

The Committee of Sponsoring Organization of the Treadway Commission (CoSo) framework identifies the subjective component of the internal control system with the “control environment”. The control environment is one of the key components of the internal control: it sets the tone of an entity, influence the control consciousness of people within an organization and is the foundation for all others components of the internal control system. Recent case based studies illustrate company’s ethical values as well as management’s philosophy and operating style (Cohen et al.,2002) which is reflected by the code of conduct or code of ethics of the company. Control Environment provides a premise for control procedures and forms an important aspect of corporate governance framework of every business set up.

The organizational structure aspect of control environment requires clear authority, responsibility and reporting relationship. It also requires the institutionalization of the internal audit role as a service to management and the establishment of an audit sub-committee of the board of directors.(Gray and Manson, 2000). The personnel policies aspect also requires transport and effective staff recruitment, staff retention and staff separation practices to help for operational efficiency. Implying from these definitions is that a governing and

management enhances an organization's control system when they establish and effectively communicate written policies and procedures of standard of conduct.

2.3.2 Risk assessment

The Baise committee (1994) indicated that from an internal control prospecting, a risk assessment should identify and evaluate the internal and external factors that could adversely affect the achievement of the Banking organization. The committee indicated that this assessment should cover risk as credit, liquidity and operational risk. The risk assessment process include evaluating the risks to determine which are controllable and which are not for those risks that are controllable, the bank must assess whether to accept those risks or whether to mitigate the risk through control procedures. Messier, et al (2006) affirm these by indicating that entity risk assessment as a process of identifying and responding to business risk.

2.3.4 Control activities

Control activities are designed and implemented to address the risks that the bank identified through the risks assessment process described. The Basel committee indicated that control activities involve the establishment of policies, the performance of procedures in accordance with those policies and verification that the policies are being complied with. Messier (2006) also indicated that control procedures are those policies and procedures that help ensure that management directions are carried out. He indicated that control activities involve Activity control, physical control Approvals and authorizations verifications and reconciliation.

2.3.5 Information and communication

Adequate information and effective communication are essential to proper functioning of a system of internal control. From the Bank prospective, in order for information to be useful, it must be relevant, reliable, timely accessible and provided by in a consistent format. (Balse committee, 1994).

2.3.6 Monitory control

Banking is dynamic rapidly evolving industry, Banks must continually monitor and evaluate their internal control system in light of changing internal and external conditions (Balse committee 1994) Monitory the effectiveness of internal control should be part of the daily activity of the operations of the Bank but also include separate periodic evaluation of the overall internal control process. (Gray and Menson, 2000) function is an important part of the ongoing monitory of the internal controls because it provides the independent assessment of adequate of compliance with compliance with, the established control by exporting directly to the board of directing.

2.4 Principles of internal control system

The Balse committee, 1998 after studying recent banking problems came out with the following principles of assessment of internal control system.

Principle 1: *Management oversight and the control culture*

The board of directors should have responsibility for approving and periodically reviewing the overall business strategies and significant policies of the bank; understanding the major risks run by the bank, setting acceptable levels for these

risks and ensuring that senior management takes the steps necessary to identify, measure, monitor and control these risks; approving the organisational structure; and ensuring that senior management is monitoring the effectiveness of the internal control system. The board of directors is ultimately responsible for ensuring that an adequate and effective system of internal controls is established and maintained.

Senior management should have responsibility for implementing strategies and policies approved by the board; developing processes that identify, measure, monitor and control risks incurred by the bank; maintaining an organisational structure that clearly assigns responsibility, authority and reporting relationships; ensuring that delegated responsibilities are effectively carried out; setting appropriate internal control policies; and monitoring the adequacy and effectiveness of the internal control system

The board of directors and senior management are responsible for promoting high ethical and integrity standards, and for establishing a culture within the organisation that emphasises and demonstrates to all levels of personnel the importance of internal controls. All personnel at a banking organisation need to understand their role in the internal controls process and be fully engaged in the process.

Principle 2: Risk Recognition and Assessment

An effective internal control system requires that the material risks that could adversely affect the achievement of the bank's goals are being recognised and continually assessed. This assessment should cover all risks facing the bank and

the consolidated banking organisation (that is, credit risk, country and transfer risk, market risk, interest rate risk, liquidity risk, operational risk, legal risk and reputation risk). Internal controls may need to be revised to appropriately address any new or previously uncontrolled risks.

Principle 3: *Control Activities and Segregation of Duties*

Control activities should be an integral part of the daily activities of a bank. An effective internal control system requires that an appropriate control structure is set up, with control activities defined at every business level. These should include: top level reviews; appropriate activity controls for different departments or divisions; physical controls; checking for compliance with exposure limits and follow-up on non-compliance; a system of approvals and authorisations; and, a system of verification and reconciliation.

An effective internal control system requires that there is appropriate segregation of duties and those personnel are not assigned conflicting responsibilities. Areas of potential conflicts of interest should be identified, minimised, and subject to careful, independent monitoring.

Principle 4: *Information and communication*

An effective internal control system requires that there are adequate and comprehensive internal financial, operational and compliance data, as well as external market information about events and conditions that are relevant to decision making. Information should be reliable, timely, accessible, and provided in a consistent format.

An effective internal control system requires that there are reliable information systems in place that cover all significant activities of the bank. These systems, including those that hold and use data in an electronic form, must be secure, monitored independently and supported by adequate contingency arrangements.

An effective internal control system requires effective channels of communication to ensure that all staff fully understand and adhere to policies and procedures affecting their duties and responsibilities and that other relevant information is reaching the appropriate personnel.

Principle 5: *Monitoring Activities and Correcting Deficiencies*

The overall effectiveness of the bank's internal controls should be monitored on an ongoing basis. Monitoring of key risks should be part of the daily activities of the bank as well as periodic evaluations by the business lines and internal audit.

There should be an effective and comprehensive internal audit of the internal control system carried out by operationally independent, appropriately trained and competent staff. The internal audit function, as part of the monitoring of the system of internal controls, should report directly to the board of directors or its audit committee, and to senior management.

Internal control deficiencies, whether identified by business line, internal audit, or other control personnel, should be reported in a timely manner to the appropriate management level and addressed promptly. Material internal control deficiencies should be reported to senior management and the board of directors.

Principle 6: *Evaluation of Internal Control Systems by Supervisory Authorities*

Supervisors should require that all banks, regardless of size, have an effective system of internal controls that is consistent with the nature, complexity, and risk inherent in their on- and off-balance-sheet activities and that responds to changes in the bank's environment and conditions. In those instances where supervisors determine that a bank's internal control system is not adequate or effective for that bank's specific risk profile, they should take appropriate action.

2.5 Determinants of Weaknesses in Internal Control System

According to Anthony and Young, 1999, in designing and implementing internal control system there is the tendency of management of organisations not to see internal control mechanism as integral part of their core activities. They indicated that in most cases management are preoccupied with factors that ensure increase in sales, revenue, profitability and securing higher survival and growth. Duncan et al (1999) however opined in their research findings that internal control weaknesses are prevalent among organisational managers who places much emphasises on beliefs such as honesty, integrity and therefore view internal control system as irrelevant and unnecessary. They further indicated that when organisational manager have trust and believe in integrity of personnel, they see no need to develop and regularly update their control mechanisms.

Clarke, (2000) also observed that organisations that places less emphasises on supervision and monitoring of personnel and process also have problems with their internal control system that leads to their inability to achieve their target.

Doyle, Weels, Macvay, 2006 in their research in determinants of internal control weaknesses found out that internal control weaknesses are prevalent in organisations that are larger and complex in their process than simple and smaller organisation. They further observed that organisation that grows faster and expand rapidly were found to have high internal control deficiencies

2.6 Elements of a sound system of internal control

Blackburn et al (2002) opined that an internal control system encompasses the policies, processes, tasks, behaviors and other aspects of a company that, taken together:

- Facilitate its effective and efficient operation by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieving the company's objectives. This includes the safeguarding of assets from inappropriate use or from loss and fraud, and ensuring that liabilities are identified and managed;
- Help ensure the quality of internal and external reporting. This requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information from within and outside the organization;
- Help ensure compliance with applicable laws and regulations, and also with internal policies with respect to the conduct of business.

Dramond-hill (2002) was also of the view that the system of internal control should:

- Be embedded in the operation of the company and form part of the its culture;
- Be capable of responding quickly to evolving risks to the business arising from factors within the company and to change in the business environment ; and
- Include procedures for reporting immediately to appropriate levels of management any significant control failings or weaknesses that are identified together with details of corrective action being undertaken.

A sound system of internal control reduces, but cannot eliminate, the possibility of poor judgment in decision- making; human error; control processes being deliberately circumvented by employees and others; management overriding controls; and the occurrence of unforeseeable circumstances. Duncan (1999) as cited in Dramond-hill (2002)

A sound system of internal control therefore provides reasonable, but not absolute, assurance that a company will not be hindered in achieving its business objectives, or in the orderly and legitimate conduct of its business, by circumstances which may reasonably be foreseen. A system of internal control cannot, however, provide protection with certainty against a company failing to meet its business objectives or all material error, losses, fraud, or breaches of law or regulations.

2.7 Maintaining a sound system of internal control: Responsibilities of Board of Director and the internal audit

The audit committee of the board of directors, executive managers, external auditors and internal auditors are the cornerstones of the foundation upon which effective corporate governance must be built, (Bishop, 2002).

Ensuring that these entities perform their roles effectively is therefore pivotal for the survival of the organization. The financial catastrophes of the last decade revealed the extent to which ineffectiveness in any of these entities can adversely affect the business. These corporate upheavals have driven external regulators to find ways of promoting greater accountability, disclosure and transparency -key components of corporate governance, in an effort to restore the trust and confidence of stakeholders and in particular shareholders. Establishing and ensuring effectiveness among the audit committee, executive managers, external auditors and internal auditors is therefore critical since sound corporate governance hinges on the successful interaction between these entities (Bishop, 2002).

Wynne (2002) indicated that objectives of internal audit are to help to ensure that internal control system of an entity is adequate and effective. He further stressed that adequate internal are those that fit the purpose. This implies that effective control system are those that are appropriate for the risks which the organization faces and that they are actually implemented on a routine basis. He was of the opinion that effectiveness demands more than just that and infer an interest in the

actual outcome of the controls. For example, ensuring that transactions are actually appropriate, accurate, and valid.

Bushman (2007) on her part indicated that there should be three objectives in mind before designing effective internal control. These are reliability of financial reporting, efficiency and effectiveness of operation and compliance with laws and regulation.

Commission on Treadway Sponsoring Organization (1992) monitory guidance suggested that effective and efficient monitory of internal control can be best achieved by establishing a foundation for monitory including a proper tone at the top, organizational structure and a baseline of understanding internal control effectiveness.

The board of directors is responsible for the company's system of internal control. It should set appropriate policies on internal control and seek regular assurance that will enable it to satisfy them that the system is functioning effectively. The board must further ensure that the system of internal control is effective in managing risks in the manner which it has approved.

In determining its policies with regards to internal control, and thereby assessing what constitutes a sound system of internal control; in the particular circumstances of the company, the board's deliberations should include consideration of the following factors:

- The nature and extent of the risks facing the company

- The extent and categories of risk which it regards as acceptable for the company to bear.
- The likelihood of the risks concerned materializing.
- The company's ability to reduce the incidence and impact on the business of risks that do materialize, and
- The costs of operating particular controls relative to the benefit thereby obtained in managing the related risks.

It is the role of management to implement board policies on risk and control. In fulfilling its responsibilities, management should identify and evaluate the risks faced by the company for consideration by the board and design, operate and monitor a suitable system of internal control which implements the policies adopted by the board.

All employees have some responsibility for internal control as a part of their accountability for achieving objectives. They, collectively, should have the necessary knowledge, skills, information and authority to establish, operate and monitor the system of internal control. This will require an understanding of the company, its objectives, the industries and markets in which it operates, and the risks it faces.

The need for an internal audit function will vary depending on company-specific factors including the scale, diversity and complexity of the company's activities and the number of employees, as well as cost/benefit considerations. Senior management and the board may desire objective assurance and advice on risk and

control. An adequately resourced internal audit function (or its equivalent where, for example, a third party is contracted to perform some or all of the work concerned) may provide such assurance and advice. There may be other functions within the company that also provide assurance and advice covering specialist areas such as health and safety, regulatory and legal compliance and environmental issues.

In the absence of an internal audit function, management needs to apply other monitoring processes in order to assure itself and the board that the system of internal control is functioning as intended. In these circumstances, the board will need to assess whether such processes provide sufficient and objective assurance.

When undertaking its assessment of the need for an internal audit function, the board should also consider whether there are any trends or current factors relevant to the company's activities, markets or other aspects of its external environment that have increased, or are expected to increase, the risks faced by the company. Such as increase or form changes in reporting processes or underlying information systems. Other matters to be taken into account may include adverse trends evident from the monitoring of internal control systems or an incidence of unexpected occurrences. One major role of the internal auditor is to review the organization's system of internal control so as to provide assurance to management that corporate policies and government practices are being followed. This role places concern for internal controls at the forefront of internal auditing. Similar to the external auditors, the internal auditors have to determine the extent to which he can place reliance, on existing controls to manage risks in his organization.

The internal auditors should be able to provide the management of his entity with assurance regarding the effectiveness of the system of internal control. To be able to provide this assurance, the internal audit process must check that the controls in place are adequate to guard against the risk identified and that the controls are operating effectively.

The board of a company that does not have an internal audit function should assess the need for such a function annually. Where is an internal audit function, the board should annually review its scope of work, authority and resources, again having regard to those factors.

2.8 Internal Control and their inherent limitations

Boughton and Kell (1996) opined that the limitations to internal control system are those inherent in control structures. They indicated that factors such as mistakes in judgment, breakdown and management collusion are also stressed. Zanna and Rempel (1998) also opined that attitude which is the disposition to respond favorably towards somebody, event, place, ideal or situation with respect of internal controls is dependent on the individual ability to protect him or herself from evil. Many researchers including Vergo (1989) argues that the potential for human error in the operation of internal controls due to carelessness, distraction, mistakes of judgment and understanding of instructions are difficulty to be considered in designing effective control system. Others also consider the probability that the cost of internal control to outweigh the potential loss which result in its absence.

2.9 Conceptual Framework

Most of the literature on internal control frameworks includes information and communication as one of the internal control components. Smooth flow of information and communication across and within the organization is influenced by the nature of the working relationship within the organization at all levels. The working relationship coordinates organization's activities to achieve goal congruence. When effective working relationship exists in an organization, delegation of responsibilities is achieved. Then internal control functions as intended. However, when a communication gap exists for any reason, sub-optimization results with adverse consequences.

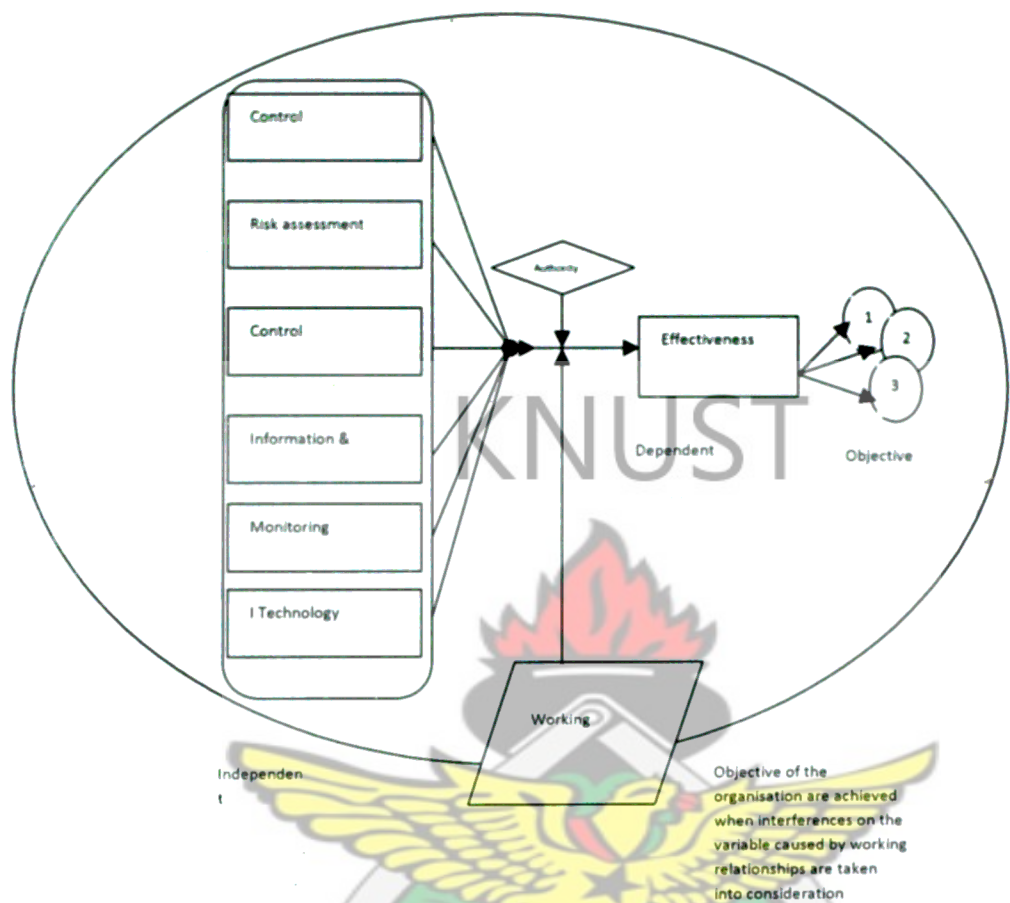
Some internal control frameworks place unnecessary emphasis on detailed explanation of the different components of the system and methods for their design. They ignore details on how each of the components can be measured to assess their effectiveness. This causes a dilemma. For example, where two managers use different methods to measure the same subject and arrive at different conclusions. A challenge arises in ascertaining who is right or wrong. When a common benchmark for evaluation of measured results is missing, knowing the right approach becomes difficult.

Other internal control frameworks ignore where one or more components are missing within a given structure, but are compensated for with other controls in other components. For example, in small companies' segregation of duties is not possible, but is compensated by management's involvement in the day-to-day supervision, verification and review of records and processes, to ensure controls

function effectively. Under the situation, all components of an effective internal control system may not be present but the system could still function effectively. The challenge is ascertainment of the effectiveness of the system. When such management styles extend to large organizations unscrupulous managers of these organization's can manipulate the organizations to meet their personal goals. After addressing the above limitations, internal control is a process of integrated sets of activities originated by top personnel of an organization and embedded within all the organization's activities to achieve goals. This comprises two sets of variables: dependent and independent. At the forefront of the independent variables is the influence of authority that ensures the independent variables function to generate the outcome of the dependent variable.

The effectiveness of internal control is the dependent variable. This is achieved by the presence and proper functioning of all the predefined independent variables in relation to each category of the organization's objectives. Proper functioning of independent variables provides reasonable assurance of proper functioning of dependent variable. Then the organization realizes preset objectives of efficient and effective operations, generation of accurate, reliable and informative financial reports that comply with relevant legal and regulatory requirements. The objectives are overlapping. This means efficient and effective operations produces accurate, reliable and informative financial reports that comply with applicable laws and regulations

Figure 1: Conceptual framework of internal control.



Source: Amudo et al (2009)

The objectives, depicting overlapping interrelationships are numbered 1, 2 and 3 in Figure 1 (1) include efficiency and effectiveness of operations (2) accuracy and reliability of informative financial reporting and (3) compliance with applicable laws, regulations, policies and procedures.

The independent variables determine the effectiveness of an internal control system. The presence and proper functioning of all the components of the independent variables ensures effectiveness of internal control system. This achieves each category of objectives 1, 2 and 3 in

Figure1.

The independent variables comprise major and minor components. Individual minor components jointly feed into and form a specific major independent variable. The measurement of minor independent variables locates any weaknesses existing in the major independent variables. The major independent variables include:

- Control environment
 - Risk assessment
 - Control activities
 - Information and communication
 - Monitoring
- The minor independent variables include:
 - Authorization and approval procedures
 - Human resource policies and practices
 - Assignment of authority and responsibility
 - Accountability obligations
 - Controls over access to resources

A direct relationship exists between the outcomes of the dependent and the independent variables. All the independent variables are relevant to each category of objectives. Internal control processes (minor independent variables) affects the effectiveness of internal control systems, which is subject to the organization's determined objectives. All the independent variables are interdependent but each has an impact on the effectiveness of internal control systems.

CHAPTER THREE

RESEARCH METHODOLOGY AND PROFILE OF KWAMANMAN RURAL BANK LIMITED

3.0 Introduction

This chapter presents the methodology adopted for the study. It highlights on the research design, sample size and technique, method of data collection, method of data analysis and the profile of Kwamanman Rural Bank Limited.

3.1 Research Design

The research design and strategies available include experiment, survey, grounded theory, ethnography, action research, cross-sectional and longitudinal studies, exploratory, descriptive and explanatory studies and case studies (Saunders, Lewis and Thornhill, 2003). This study uses a case study method. The justification is that the study investigates details of a real life phenomenon. Since this study involves an investigation of whether internal control systems established by Kwamanman rural bank are effective and in compliance with guidelines on internal control of rural bank and principles of internal control systems, the case study method is used. Babbie (1998) supports choice of case study method in opposition to others as follows. Whereas most research aims at directing generalized understanding, the case study aims at a comprehensive understanding of a single, idiosyncratic case. Whereas most research attempt to limit the number of variables considered, the case study seeks to maximize them.

Ultimately, the researcher executing a case study typically seeks insights that will have a more generalizes applicability beyond the case study itself that cannot ensure such generalization. The case study method also generates answers to the “what” and how research questions asked in this study.

3.2 Population

The objective of the research was to appraise the internal control system of Kwamanman Rural Bank. The universal population of the study include the entire staff of the Bank. The target population consist of the personnel that is in key positions such as the internal auditor, the accountants, branch managers and accountant’s officers, project officers, and the accounts clerks. This implies that the study covers the following departments;

- Internal Audit
- Treasury
- Credit

It came to light from preliminary investigations that each Branch has a manager, accountant, two accounts clerks, and a cashier. The population of the study is therefore illustrated in the table below.

Population of the Study

Staff	Number
Branch Managers	5
Accountants	5
Accounts Clerks	10
Project Officer	1
Internal Auditor	2

3.3 Sample and Sampling Procedure

Since it was impracticable to study the whole population within the limited time and resources at the disposal of the researcher (Gomm, 2004; Best and Khan, 1989), and also since appraisal of the internal control system was limited to internal audit section, the credit department, the treasury and the operational section, the officers who are involved in the daily activities namely the project officer, managers, accountants and the accounts clerks were considered. In selecting the main sample of the study, attempt was made to ensure that the sample was a representative of the total population mirrored the characteristics of the population and large enough to inspire confidence in the results (Gomm, 2004; Blaikie, 2003; Gomm et al, 2000; Bell, 1996). An ideal sample is one that provides a perfect of a representation of a population, with all the relevant features of the population included in the sample in the same proportion (Blaikie, 2003). Since this is seldom achieved various methods of sampling techniques were adopted in the selection of the sample. These include purposive sampling and simple random sampling.

Purposive or judgemental sampling was used to select the project officer, and the internal auditor. They were selected because they were stationed at only the headquarters and regulate the branches of the bank. The purposive sampling enables the researcher to use judgement to select cases that will best enable the researcher to answer research question(s) and to meet the objectives. This sampling technique is often used when working with very small samples such as

case study and when the researcher wishes to select cases that are particularly informative (Newman 2009).

Random sampling was used to select branch managers and accountants and the accounts clerks. The branch managers and accountants were selected because they were identified in the literature review that they are involve in control systems related to the volts or strong room of the various branches or agency. Out of the fourteen (14) branch managers and accounts, seven branch managers and accountants were randomly selected. Accounts clerks were also included in the study because they were identified to be involved in internal control relating to current and savings account transactions. In all seven (7) out of the fourteen accounts clerks were randomly selected from the five branches of the bank.

3.4 Methods of data collection

There are various ways of collecting data for qualitative research. Examples of these are observation, questionnaire, interviews (Sauders Lewis and Thornhill, 2003). However, in research to examine the determinants of weaknesses in internal control by Doyle, Weels and Macvary (2006) secondary data was used as a source of data which were published from monthly reports on forms that disclose internal control deficiencies . Amudo and Inanga (2009) in evaluation of internal control systems adopted both interview and questionnaire approach to collect data from respondents. They indicated that evaluation of the design of effectiveness of internal control requires reviewing appropriate documentation, directing relevant

questions to employees and observing the process and underlying control techniques. Evaluation of operational effectiveness of internal control requires review of appropriate documentation, interviewing appropriate employees, inspecting operational evidence on internal control and appraising the results of project management self-assessment on control operational effectiveness.

In this study, the researcher considered questionnaire and observation as against other methods of data collection. These were used because it was considered to be appropriate for the study. Despite the fact that researcher was not an employee of the bank, the researcher spent time to observe the processes and procedures on how the bank operational activities were carried out at three out of the seven branches. The observations were used to buttress and get more insight on the internal control system of the Bank and to appraise it well. Therefore when the responses from the questionnaire conflict with that of the observation, the result from the observation supersedes. Interviews were also not used because these officers are always busy at their schedules at the bank during banking hours.

The departments identified have a specific aspect to contribute to the internal control system of the bank. Therefore separate questionnaire were designed for each of the department. Each department questionnaire was design bearing in mind:

- 1) The major independent variables i.e. the control component of an internal control system which involves the control environment, risk assessment, control activities, monitoring and information technology.
- 2) The duties that the officers are to perform.

The various questionnaires were also designed to cover the three types of data variables and distinguished by Dillman (2000) that these variables are opinion, behaviour and attributes. He indicated that opinion variables record how respondents feel about something or what they think or believe it is true or false. Behaviour and attributes records what respondents do and are attributes variable contains data about the respondent's characteristics. It is based on these that primary data about the respondents were included as it was identified that it affects the overall operations and implementation of internal control system.

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Moreover, a study by McDonagh and Rosenblum (1965) reported that data collected by questionnaire technique can be considered representative of the sample selected. It is handicapped by generally low response rate, and the response and non-response bias (Cooper & Donald 2001; Bryan 2001). Therefore the questionnaire applied the following co-current techniques do diminish the above disadvantages.

1. The questionnaire were pre-tested and by respondent surrogates in order to increase response rate (Sletto 1940)
2. This research will also make use of and consider the following variables techniques in order to improve questionnaire response (Cooper & Schunler 2001; Kanuk & Berenson 1975).

3.4.1 QUESTIONNAIRE FOR INTERNAL AUDITOR

In order to appraise the internal control system of the bank, it was identified that it is the responsibility internal auditor to design and update the internal control system of the bank. Questionnaire was therefore designed to solicit information from the internal auditor. The questionnaire was grouped in three sections. Section A, tries to find out the personal data of the internal auditor such as the gender, age, academic and professional qualification, experience in banking and audit. Section B covers the duties of the internal auditor in relation to the control system of the bank. Section c covers the specific internal control of the selected department.

3.4.2 QUESTIONNAIRE FOR PROJECT OFFICER

Another questionnaire was also designed for the project officer. This was because the project officer was directly in charge of granting of loans and will be in the position to describe the procedure for granting of loans. The questionnaire was divided into two sections. Section a covers the personal data of the officer and section b covers information about how his duties as a project officer is being carried out. In all, twenty-two questions were contained in the questionnaire of which some are open ended and some are close ended.

3.4.3 QUESTIONNAIRE FOR ACCOUNTS CLERKS

Since the researcher wanted to appraise the control systems relating to deposit and withdrawals of customers accounts, it became imperative to design questionnaire that can unearth how the activities of the Clerks are performed. This questionnaire was also divided into two sections. Section a covers the personal data of

respondents and b covers their duties as an accounts clerks. The two sections in all covers twenty-three items of which some are open ended and some are closed ended. This was also approved by the researcher's supervisor.

3.4.4 QUESTIONNAIRE FOR BRANCH MANAGERS AND ACCOUNTANTS

Branch managers and accountants through observations in the branches were seen as personnel having direct responsibility for the management of the branches. They were seriously involved in the treasury management. It was therefore expedient to consult these personnel if the researcher wanted to ascertain the internal control and appraise. The twenty item questionnaire which comprises both close ended and open ended was also divided into two sections. This was also validated by the researcher's supervisor

3.5 DATA ANALYSIS

The data collected were processed and analyzed using the SPSS (Version 11.5) software. First the completed questionnaires were edited for consistency. For open- ended items, a short list into general themes was prepared from the master list of responses in order to get the key responses that were provided by the respondents (Mason, 1994). The whole set of data was then coded and the coding pre-tested before data entry using SPSS software. The SPSS was used because it is considered as one of the most effective methods of summarizing and analyzing data from questionnaires and experiments (Lunnerbry and Hand, 1996; Reese, 1996)

3.6 PROFILE OF KWAMANMAN RURAL BANK LIMITED

This section of the chapter presents the profile of Kwamanman rural Bank limited. It highlights on the history of the Bank, the mission and vision, its scope of operations.

3.6. 1 Brief History of Kwamanman rural Bank limited

Kwamanman Rural Bank limited was established in 1982 in the Sekyere Central District of Ashanti Region in Ghana. It was formed through the initiative of the Omanehene of Kwaman to mobilized resources to enable people in community to have resources to enter into economic ventures and to cultivate the habit of savings through Banking. Initially, the Bank had only one branch and its headquarters at Kwaman. As the Bank grew, more branches were opened. Currently, the Bank has seven branches, namely Beposo, Nsuta, Mampong, Tafo, UEW-K, Amakom and Kajetia all in the Ashanti Region.

3.6.2 THE MISSION FOR THE BANK

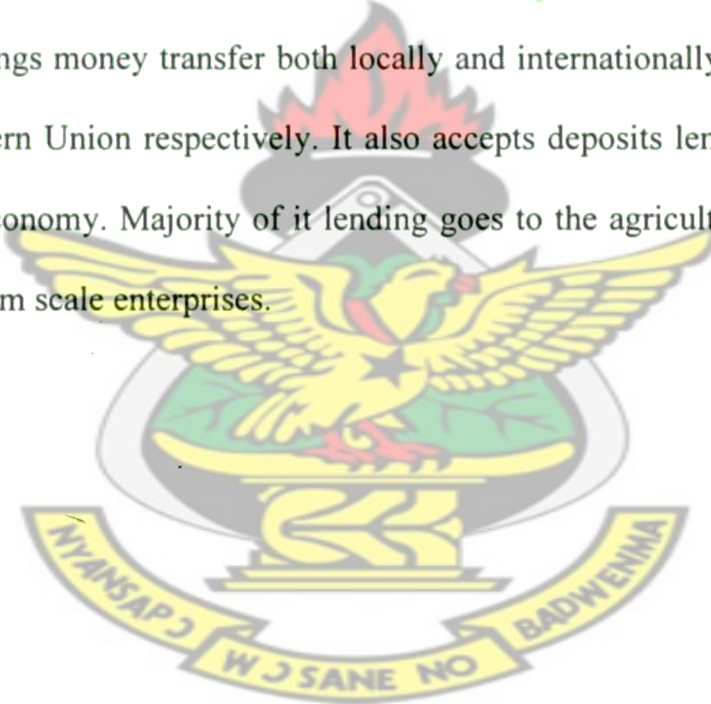
The mission statement of the bank is to promote credit creation through vigorous savings mobilization. The appreciation of best practices and procedures for quality services delivery and customer satisfaction. To encourage private entrepreneurship through supporting micro enterprises and agro based production concern with adequate and timely credit. The recruitment development of the best human resources to carry out the Bank's mandate.

3.6.3 THE VISION

The Banks corporate vision is to be the best among the pacesetters of the Banking industry through the application of the best practices and procedures for excellent customer services and stake holder's satisfaction.

3.6.4 SCOPE OF OPERATIONS

The bank has the power to engage in the business of banking within the framework and limitations in the manner provided in the Banking Act of 1970. It has designed its products and services to meet the demands and expectations of its customers. The Bank has been licensed to deal in Banking activities which include among other things money transfer both locally and internationally through Apex Bank and Western Union respectively. It also accepts deposits lend money to all sectors of the economy. Majority of it lending goes to the agricultural sector and small and medium scale enterprises.



CHAPTER FOUR

RESEARCH FINDING, ANALYSIS AND DISCUSSION

4.0 INTRODUCTION

This chapter contains the research findings, analysis and discussions. It is presented as follows;

4.1 Personal data of respondent

4.2 Existing internal control of the Bank

Comparism of internal central with internal central principles and guidelines

4.3 Strengths and weaknesses of the internal central system of the Bank.

4.1 PERSONAL DATA OF RESPONDENTS

This section examines the personal data of all the respondents used for the study in terms of gender, age, academic qualification and level of experience or number of years worked with the Bank.

4.1.1 GENDER

The questionnaire sought to find out the gender of the respondent even though gender was not the main consideration of the study. The results obtained is illustrated in the table form 4.1.1

Table 4.1.1

Position	Gender	Respondents	Percentage (%)
Accounts Clerks	Male	5	71.4
	Female	2	28.6
	Total	7	100
Branch Manager/Accountant	Male	4	57.14
	Female	3	42.86
	Total	7	100
Internal Audit	Male	1	100
Project officer	Male	1	100

From the table 4.1.1, it can be seen that out of the 7 Accounts Clerks considered for the study, 5 representing 71.4% were male whereas 2 representing 28.6% were females. It can also be observed that out of the 7 Branch managers and accountants considered for the study, 4 representing 57.14% were males whereas 3 representing 42.86% were females. It can be discovered also that the project officer and the internal auditor were males. It can be deduced that out of the 16 respondents only 5 representing 31.25% were female whereas 68.75% were males. It can therefore be said that there is probability that there are more males than females working in the Bank.

4.1.2 AGE

The study also wanted to find out the age distribution of the respondent even though it did not form part of the objective of the researcher. The results is illustrated in table 4.1.2

Table 4.1.2

Age	Respondent	Percentage (%)
21-25	3	18.75
26-30	3	18.75
31-35	4	25.0
36-40	3	18.75
41-45	1	6.25
46-50	-	-
51-55	2	12.50
56-60	-	-
Total	16	100

From the table 4.1.2, it can be seen that 3 representing 18.75% fall within the age distribution of 21-25 whereas 3 representing 18.75% were within the age brackets of 26-30. It can also be observed that 4 representing 25% were within the age brackets of 31-35 whereas 3 representing 18.75% were within the ages of 36-40. It was found also that only one representing 6.25%were within the ages of 41-45. It was also found out that 2 representing 12.5% were within the ages of 51-55.

4.1.2 ACADEMIC AND PROFESSIONAL QUALIFICATION

The questionnaire also sought to find out the academic and professional qualification of the respondent. The finding is illustrated in the table 4.1.3.

Table 4.1.3

Qualification	Respondents	Percentage (%)
Masters degree	-	
First degree	5	31.25
HND	6	37.50
CIB	2	12.50
ACCA/ICA	1	6.25
Others	2	12.50
Total	16	100

From the table 4.1.3, it can be seen that more of the respondents have Higher National Diploma as 6 representing 37.50% were higher national diploma qualification. 5 out of the 16 representing 31.25% also are fist degree holders. It was also found out that 2 representing 12.50% were currently writing the Chartered Institute of Bankers Examinations. It also came to light that two of the respondents were DBS certificate holders.

4.1.4 LEVEL OF EXPERIENCE

The researcher also wanted to find out the level of experience or the numbers of years the respondents have worked with the Bank. The result of the findings is illustrated in table 4.1.4.

Table 4.1.4

No of years	Respondents	Percentage (%)
1-2	1	6.25
3-4	3	18.75
5-6	5	31.25
Above 6	7	43.75
Total	16	100

It is evident from the table, that out of the 16 respondents considered for the study, 7 representing 43.75% have worked with the Bank for more than 6 years whereas 5 representing 31.25%. It was also seen that 3 representing 18.75% have worked with the Bank for more than three years. It was also seen that only one representing 6.25% have worked with the Bank for only one - two years. It can therefore be deduced that majority of the respondents are conversant with the policies and procedures since 12 out of the 16 representing 75% have worked with the Bank for more than six years.

4.2 EXISTING INTERNAL CONTROL OF THE BANK

This section of the chapter discusses the findings of the existing internal control of the Bank. It highlights on the existing internal control relating to credit management, treasury, deposits and withdrawals.

4.2.1 CREDIT CONTROL SYSTEMS

The researcher wanted to find out if the bank has a laid down procedures towards granting of loans. It was found from both the project officer and the internal auditor that the bank has laid down procedure for granting of loans. It was however, observed that the procedure depends on the type of loan and the prospective beneficiary. This implies that there is the probability that the procedures are flexible.

The researcher also wanted to find out if these procedures are updated regularly and if so, who does that. It was discovered that they are not often updated. It was found out that it is updated only when the board decides to do so or when the Bank of Ghana brings out circulars to that effect. It was also discovered that the credit sub committee of the Board instructs the project officer to update and design the procedures. When asked the procedures that loan applicants have to go through before loans are acquired, it was realized that it depends on the type of loan. However, it was realized that one needs to apply or if it is an entity, it has to apply to the bank. All the required documents are sent to the branch manager where the applicant saves or where the applicant intends accessing the loan. These are processed and given to the project officer to for him to forward it to the Board for

approval before it comes back to the branch manager to effect payment of the loan. It can therefore be deduced that it takes too much time for the customers to have access to loans or credit. This can affect the quality of credit of the bank.

When the project officer was asked about his duties at the Bank, it was discovered that the general duties of the project officer was to appraise the loan applications for the whole Bank. Specifically he is responsible for the:

1. Determination of the price of the loans.
2. Processes all the credit request
3. Scrutinize the documents of loans request.
4. Authorizing payment in an absence of the managers

It was also realized that the board every quarterly assess the amount of credit granted and its repayment in relation with the bank's short term and medium term objective. The project officer also indicated that he is monitored by the internal auditor and the supervising managers and that the internal auditor has a complete access to its documents and records. It was also found out that the bank has credit sub committee of the board and it is responsible for approving loans applications on behalf of the board. When asked the limits on the amount of loans the project officer can grant, he indicated that he does not have the capacity to grant loans.

It was also discovered that the project officers do pass entries and takes it to the accountants to counter sign for the accounts clerks to enter in the ledgers of the individual customer. It was also discovered that the project officer position is not rotated. This implies that it is possible that he does not go on leave.

4.2.2 TREASURY MANAGEMENT CONTROL SYSTEM

This section of the analysis looks at the existing controls relating to treasure management of the bank.

Duties of Branch Managers and Accountants

The study sought to find out the duties of branch manager and accountants. It was observed that they perform the following duties;

1. General Management of the Branch
2. Authorization and approval of transactions
3. supervision of the employees
4. promoting the products and services of the bank at the branch level
5. Recommendations of loan applicant

Granting of loans by the Bank.

The study sought also to find out whether the branches of the bank have project officers. Available literature indicates that project officers at rural and community banks are tasked to handle loans applications of customers. It was revealed that the bank has only one project officers who resides and is stationed at the headquarters of the bank. It was also evident from their responses that the branch managers and accountants do not approve loans to customers. However, it was observed by the researcher that some branch managers approve loans of customers without the notice of the Project Officers or the Management or the Board of the Bank.

Keys to the Strong Room

The researcher identified that the keys to the strong room is critical to maintaining effective treasury control system of the bank. The researcher therefore wanted to find out how many people handle the keys to the strong room. It was evident from the responses that majority of the respondents indicated that two people handle the keys to the strong room whereas 5 representing 35.71% indicated that three people handles the keys to the strong room. From the observation of the researcher, it was discovered that in branches where they have three locks to the door, it is kept by the branch manager and accountants and the cashier or any personnel with good conduct and integrity. It was also observed that it was the policy of the bank that under no circumstance should all the keys to the strong room be kept or handled by one person. The researcher also wanted to find out whether records are kept on date and time when authorized persons enter the strong rooms. It was clear that they do not record the time but keep records on the amount taken from the room in a pink card and the balance is shown on a blue card.

Ensuring unauthorized personnel visit strong room

The researcher wanted to find out how the Banks ensures that unauthorized personnel visit the strong room. It was revealed that those who are to keep custody of the keys are expected to keep them in their safe and lock them.

Policies to prevent shortages and excess cash at the strong room

The researcher also wanted to find out the policies and procedures instituted by management to prevent shortage and excess cash in the strong room of the branches of the bank. It became known that the banks do not have a clear policies

and procedures to ensure adequate and sufficient cash in the strong room. It was also realized that it depends on the branch and the amount of insurance premium paid to cover the amount in the strong room. It was observed in two branches by the researcher when a customer wanted to withdraw ten thousands Ghana Cedis and have to wait for sometime for the bank to replenish its volts before it can be given such amount.

4.2.3 INTERNAL CONTROL RELATING TO DEPOSITS AND WITHDRAWALS

It was Identified that accounts clerks are directly involve in updating customers accounts, therefore, since the researcher wanted to appraise the internal control concerning withdrawals and deposits of customers accounts, questionnaire were designed for the accounts clerks. The finding from the questionnaire and the results of observations are discussed below.

Orientation and ethical principles

It was found that when internal control are embedded in the banks cultural and ethical principles there is the likelihood that it will be followed.(Balse committee,1998) Base on this, the researcher wanted to find out if accounts clerks were given orientation about the banks cultural and ethical principle.

It was seen that the entire respondents indicated that they were given orientation about the Banks ethical principles and culture. However, it was seen that the principles and the banks culture did not highlight on the bank internal control system. The Balse committee (1998) stresses the fact that board of directors and managers should promote high ethical and integrity and establish a culture within

the organization demonstrating the importance of the internal control system. It can be deduced the control environment of the banks internal control may be weak.

Review of Policies and Procedures

The researcher wanted to find out if the Bank’s management reviews policies and procedures relating to the bank. The results of the findings are illustrated in the table below.

Table 4.2.3

ITEM	RESPONDENTS	PERCENTAGE
Yes	5	71.42
No	2	28.57
Total	7	100

From the table 4.2.3, it was realized that 5 out of the 7 respondents representing 71.42% indicated that the Bank review policies and procedures relating to withdraws and deposits of customers accounts. 2 out of the respondents indicated that the Bank does not review policies and procedures concerning their operation. Those who indicated in the affirmative when asked how often these policies and procedures are reviewed, they indicated that the managers does that when the need arises.

From a critical analysis, it was observed that those who indicated that the Bank review policies and procedures has been with the Bank for more than three years and those who indicated otherwise have been with the banks between one and two years. It follows logically to reason that is possible that for the past two years the Bank have not review these policies and procedures.

The researcher also wanted to find out what is done to personal who do not comply with these policies and procedures, all the respondents indicated that appropriate actions are taken to employees. It was further observed that employees are made to pay for the loss when through their negligence customers suffer.

Access to documents by internal auditors

The researcher wanted to find out whether management has access to documents and records relating to deposits and withdrawals in customers accounts. It was identified that all respondents indicated that management have complete access to records. It was discovered in the three branches of the Bank observed by the researcher that management of the Bank seldom ask for these documents and review unless some fraud or discrepancies occur.

Documents kept for accounts holders

The researcher also wanted to find out books and records kept by the Bank for customers. This is because it was identified that when all the required books and documents are kept there is likelihood that the internal control system is well

designed. It was observed by all the respondents that the following books are kept for customers

- a) Ledger Cards
- b) Pass book for savings accounts holders
- c) Deposits from (duplicate)
- d) Withdrawal from (original)
- e) Signature and finger prints cards

Conditions to be met before withdrawals are made

The researcher further wanted to find out the procedure that the accounts clerks goes through or conditions that need to be met before withdrawals are made by customers. The following procedures were observed to permeate through all the respondents

For savings account:

1. Customers fill the withdrawal form provided by the Bank. When the customer is illiterate the accounts clerk fill the form for the customer and the customer thumbprints.
2. Through the withdrawal form, the clerk takes the customers ledger card and enters the amount the customers want to withdraw. It was observed that the clerk have to ensure that the customers have enough money in the account.
3. This is then passing to the accountant for authorization before it is given to the cashier to effect payment.

For branches that have been computerized, when the withdrawal form are filled it is taken to the cashier to effect payment. It was also observed that when the amount is above thousand Ghana Cedis. It must be endorsed by the accountant and when it is more than ten thousand Ghana Cedis it must be endorsed by both the accountant and the branch manager.

For current account holders:

The customer needs to write the cheque and present it to the cashier for payment or a third party to present for payment.

It was observed that when the amount exceeds one thousand Ghana Cedis it must be authorized by the accountant and when it exceeds ten thousand Cedis it must be endorsed by both the branch manager and accountant. It was observed also that personal who fill the withdrawal form for illiterates are the same personnel that update customer's accounts.

The Internal Auditor and the Activities of Accounts Clerks

The researcher also wanted to find out how many times the internal auditor verifies the activities and records of the accounts clerk relating to withdrawal and deposits of customers accounts.

The findings is illustrated in Table 4.2.4

Table 4.2.4

ITEM	RESPONDENTS	PERCENTAGE
Yes	7	100
No	-	-
Total	7	100

It was found that all the respondents indicated that the internal auditor verifies the records of the accounts clerk. It was also found that they do that twice every month. It was identified in the researcher's observation that the internal auditor verified transactions relating to the branch and the head office whereas the assistant verifies transactions relating to the Branch.

4.2.4 THE INTERNAL CONTROL OF THE BANK: INTERNAL AUDIT PERSPECTIVE

It was also found out that the bank has an internal audit committee as a sub-committee. The researcher also wanted to find out the duties of the internal auditor of the bank. He indicated that the general duty is to institute internal control system and to ensure that the system is working as intended.

Specifically the internal auditor:

1. Attend meeting and present his audit findings to the board.
2. Periodically inspect the books records and properties of the bank
3. Audit the accounts of the bank to ensure that proper books of accounts are being kept
4. Review annual statement of accounts including profits and loss accounts and Balance Sheet.

When contacted on who approves the hiring of the audit staff appointment, It was indicated that it is the managing director. The internal auditor also indicated that he is responsible to the managing director of the Bank. It was also found out that his recommendations are always taken only after the managing director accepts

its. It was discovered by the researcher also that the managing director is very powerful among the board and can easily convince the members of the Board. The researcher also wanted to find out from the perspective of the internal auditor, if they have internal control system for the granting of loans, treasury, and deposits and withdrawals, indicated in the affirmative. However when asked the specific control system he failed to indicate them.

He also indicated that he has access to all the records concerning the department.

On the part of the internal auditor it was clear that he does not take any action when irregularities occur but just report to the bank.

The internal audit also indicated that the report of the ARB (Apex Bank Report) before he joined the bank was not encouraging; however, it has been improving gradually as they want to bank to deal with irregularities immediately they are discovered.

The internal auditor also indicated that the strength of the internal control system lies in the preparedness of the staff to follow the laid down procedures and its commitment of the board to employ competent personal of the bank. The internal audit also indicated in the affirmative that they need to improve the controls by indicating areas such as clearing, transfers, and loans granting procedures must to be improved.

4.3 COMPARISM OF THE BANKS INTERNAL CONTROL WITH INTERNAL CONTROL GUIDELINES AND PRINCIPLES

Whereas the principles as indicated by the Balse Committee (1998) requires high integrity and ethical standards, and for establishing a culture within the organization that demonstrates to all levels of personnel the importance of internal control, it came to light that even though they have organizational culture, it did not place high values the need for a collaborative effort towards ensuring effective organizational internal control system of the bank.

The Balse committee (1998) also wants control activities of Banks to be integral part of their daily activities. It also indicated that an effective control system requires appropriate control structure is set up, with control activities defined at every business level, however, it came to light through the researchers observation that there is no top level review and less attention is given to appropriate control for different departments or divisions and checking for compliance and fellow up for non-compliance. This is because especially the routine duties of the accounts clerks are not monitored for non-compliance. The principles also require Banks Board of directors to periodically review and approve business strategies and control. It was however identified that review are made when the need arises and that for 2-3 years now. It has not been reviewed.

Also whereas the principles require the control activities and control structure to be linked together, it was observed that there was not link between such structures of the Bank. Even though Board and senior management have access to records

and documents as require by the principles, senior manger do not frequently access them.

The principles also require that all personal of the bank should understand their role in the internal control process. However, only senior managers understand their roles. Also whereas, the principles require that there should be appropriate segregation of duties and those personnel are not assigned to conflicting responsibilities. It was identified that especially the branch managers are assigned conflicting roles especially initiating and authorizing payments.

The principles also require an effective and comprehensive internal audit programme to be carried out by an effective and independent internal audit staff. It came to light that the Banks staff does not have a comprehensive programme and they are not independent as they are supposed. This was because key audit staff appointments are approved by the chief executive officer not the Board. Also control when identified by business are not reported to management timely as the principles require them but us only reported when the audit sub-committee meets.

4.4 STRENGTHS AND WEAKNESSES OF THE CONTROL SYSTEM.

4.4.1 Strengths

1. It was identified that the Bank has a culture which the bank want to inculcate into new employees. This indicates that there may be a good control environment.
2. Appropriate punishment is designed and melted against employees who do not comply with policies and procedures. This could mean that there is a

good control environment which ensures that policies are being complied with.

3. It was identified that senior management have access to the records and documents of the bank indicating a critical component of an effective control system.
4. It was also identified that the Bank keeps appropriate records and books of customers as required by ARB (Apex Rural Bank).
5. It was also observed that the internal audit verifies the records of the personnel of the bank. This complies with the verification components which have been seen by Gray and Manson, 2000 as critical for effective functioning of an internal control.
6. It was also seen that experience personnel was promoted to the rank or position as branch managers as it was observed that all the branch managers has served with the Bank for more than five to six years.
7. It was further noticed that there was limit on the amount branch managers can approve as expenditure indicating authorization and approval procedures which was seen as critical has been complied with.

4.4.2 Weaknesses

Most of the weaknesses identified with the Banks internal control systems relates to the independent variables which has been seen by the researchers as critical in effective functioning of the internal control system. These weaknesses are discussed below:

1. It was seen that the control environment was not encouraging as the Bank's ethical belief and culture was not incorporated in their internal control system. This was evident because the staff contacted indicated that even though they were given orientation concerning the banks culture, internal control was not emphasized.
2. It was also revealed that control activities such as segregation of duties was overlooked. These were seen in the approval and disbursement of loans, it is probable that there will be losses and conflicts of interest since this control activity have been seen as the pillar of sound internal control.
3. It was also seen that the monitoring by senior managers was weak as non-compare with policies and procedures are observed when there arises a problem with that particular transaction or rent. This can result in high losses to the Bank.
4. While the internal audit was seen to be effective source of sapient evaluation it was clear since the internal auditor has only one year experience in the banking or financial sector there is the likelihood of lack of through understanding of the business processes of the Bank and these are likely to cause more losses to the Bank.
5. It was also observed that since the audit programme was not well designed and comprehensively drawn the audit could be fragmented leading to more areas of the audit uncovered. This may lead to serious financial loss to the company.

CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSION

5.0 INTRODUCTION

In this chapter, a brief summary of the findings of the study is given and is followed by recommendations based on the findings of the study. In addition, recommendations for further studies are made. This is followed by conclusions drawn from the findings of the study.

5.1 SUMMARY OF THE FINDINGS OF THE STUDY

The purpose of the study was to appraise the internal control system of Kwamanman Rural Bank Limited. Specifically, it's sought to find out the internal control system relating to deposit and withdrawals, credit control system and treasury management. Compare these controls with the principles of internal control systems and identified strengths and weaknesses.

5.1.1 SUMMARY OF THE FINDINGS OF THE CONTROL SYSTEM

It was discovered that the Bank has internal control relating to deposit, withdrawals and credit management but did not have specific control relating to treasure management. It was also discovered that the following books or records are kept for saving accounts holders.

- a) Ledger cards
- b) Pass book for savings accounts holders
- c) Deposit form(Duplicates)

- d) Withdrawal form (original)
- e) Signature and fingerprint cards

It was also discovered that only two person handles the keys to the store room of the Bank. Records are also kept on monies take to and from the strong room. It was also found that there is only one project offer for the whole Bank. It was observed that the managing director approves the hiring key auditor staff.

5.1.2 SUMMARY OF THE COMPARISM OF THE CONTROLS WITH PRINCIPLES AND GUIDELINES

It was observed that whereas the Balse committee (1998) principle stresses on establishing high ethical and establishing a culture within the organizations, it was discovered that the organizational culture did not place high values on the importance of effective organizational control system.

It was also discovered that the controls was not integrate part of the organizational culture as required by the principles. It was established that there was less monitory and supervision. There was also less periodic review as required by the Basel committee principle. The principles require that there should be appropriate segregation of duties and those that personnel should not be assigned conflicting responsibilities. It was however, observed that this principle was not adhered to.

5.1.2 SUMMARY OF THE FINDINGS OF THE STRENGTHS AND WEAKNESSES

There was an attempt by the Bank to strengthening the control environment component of the internal control as the Bank made attempts to instil in employees the Bank ethical principles and values even though it did not emphasis much on the internal control system. It was found that appropriate records and books required by the Bank were kept. It was however, discovered that those who are suppose to review the records do not review them very often. It was seen that the principle of segregation and regular monitory and supervision was not adhered to. It was also found that there was no comprehensive audit programme.

5.2.1 RECOMMENDATIONS

Based on the summary of the findings of the study, the following recommendations are made. Since the current cultural and ethical principles and do not support and place more emphasize on the need to promote effective control systems, the Board and management of the Bank should place more emphasize on promoting good and effective internal control .Also management should explain to junior staff their role in ensuring effective internal control system. There should be appropriate controls for treasury so that the control management can be effective and efficient.

Policies and procedures relating to deposits and withdrawals must be review and updated regularly. Probably every quarter, management should review the procedures and see how best they can improve upon the system. Monitoring has been seen as an effective mechanism to ensure compliance with policies and

procedures. It is therefore necessary that all aspects or sector must be monitored regularly so that irregularities can be detected as early as possible. Monitoring mechanism should be clearly designed and line of authority defined to ensure that it becomes effective.

Credit has been seen as the main source of revenue to Rural Banks, therefore since the credit process has been seen as unduly long management should review the process so that the Bank remain competitive in the industry. Management should also employ more personnel in the credit department or empower Branch Managers to take part of the credit appraisal process to reduce the credit process.

Internal auditors must be made to be independent as far as possible. The appointment of key audit personnel must be approved by the Board not the Chief Executive Officer. There must be constant training for the internal audit in the design and review of internal control system. Also when irregularities are discovered, there should be prompt actions. It is also recommended that qualified accountants and those with banking experience should be employed for the internal audit section of the Bank.

5.2.2 RECOMMENDATION FOR FURTHER RESEARCH

This study covers only Kwamanman Rural Bank. It is hoped that future research would be extended to cover all Rural Banks in Ashanti region of Ghana. Also further studies should be on factors promoting effective internal control systems. These are likely to yield more valid information that serve as a basis for

coordinating national effort at improving the internal control system of rural and community Banks in Ghana.

5.3 CONCLUSIONS

The following conclusions were drawn from the study since the Bank does not include in their cultural and ethical principles in orientations of new employees, workers may not know their role to play in promoting good internal control system of the Bank. This may not follow the (Balse Committee, 2008) recommendation that every personnel have a part to play to ensuring effective internal control system.

Also since accounts clerks were seen as those who update customer's accounts. It can be concluded that inactions of the accounts clerks can result in serious loss to the Bank. It can be concluded that those handling the keys to the strong room can lend the money in the strong room for shorter period without been noticed since there is no specific internal control relating to the treasure management. Base on this it follow logically to reason that the branches can have a situation of shortage of cash in their vault since there are not clear laid down procedures to prevent shortage of cash. Bank internal control relating to deposits, withdrawals and credit is weak and ineffective since they are not updated, reviewed and appraised frequently. This can result in financial malfeasance and great loss to the Bank. Since the staffs are punished for their negligence and inactions through refund of resulting loss it can deter other staff from engaging in such activities.

However, it will not allow them to take risk concerning their activities. Since when loss arises they will have to pay for that. It can also be concluded that discrepancies relating to balances in customers passbook and that of the ledger form will be minimal since the records kept on customers when properly kept can easily resolve these differences even if they do occur. The monitoring component of the Bank internal control is weak. This is because despite the fact that Branch manager are not allowed to approve loans they perform such functions. This can result in great loss and financial malfeasance to the Bank.

It can also be concluded that it takes longer periods for customers to obtain loans from the Bank since the loan process is too long and also because there is only one project officer who does the entire appraisal. This is likely to affect the quality of credit and result in great loss of revenue to the bank. The situation is likely to aggravate because of the competition in the Banking industry in Ghana.

It can be concluded that the internal audit have the records and documents at his disposal to facilitate his work since he has a complete access to all documents and records.

Also, the independence of the internal auditor can be influenced since the managing director approves his or hiring. This implies that he cannot be fair and firm on his dealings.

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APPENDIX

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF BUSINESS

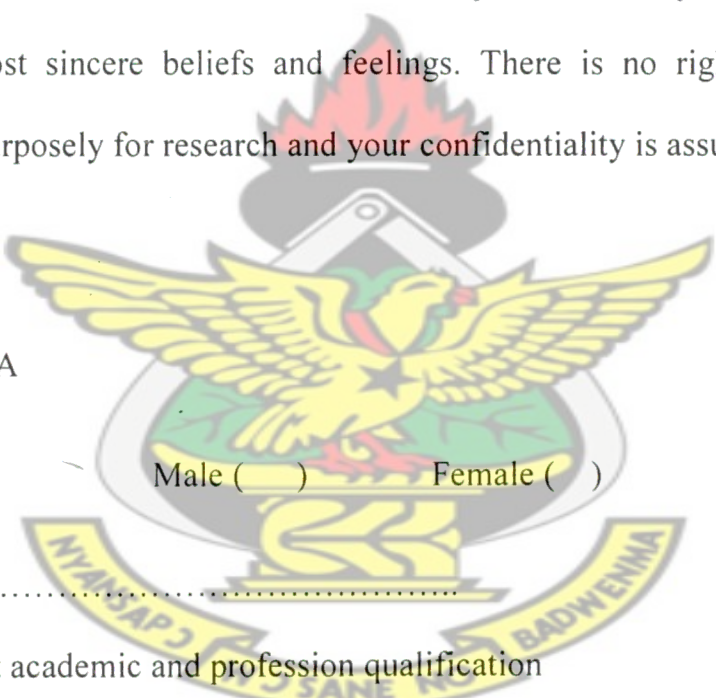
DEPARTMENT OF ACCOUNTING AND FINANCE

QUESTIONNAIRE FOR INTERNAL AUDIT SECTION

You have been chosen to participate in the study because of your important role as personnel of Kwamanman Rural Bank. Please, respond to this questionnaire in terms of your most sincere beliefs and feelings. There is no right or wrong answers. This is purposely for research and your confidentiality is assured.

SECTION A

PERSONAL DATA

- 
1. Gender Male () Female ()
2. Age
3. Your highest academic and profession qualification
- a) Master degree ()
- b) First degree ()
- c) HND ()
- d) ACCA ()
- e) CIB ()
- f) ICA ()
- g) Any other (Specific)-----

4. If you selected ACCA, ICA or CIB please indicate the level which you have completed.

a). Part 1 ()

b) Part 2 ()

c). Part 3 ()

5. How long have you been working with Kwamanman Rural Bank.

Below one year ()

1 – 2 ()

3 – 4 ()

5 – 6 ()

Above 6 ()

6. Did you have any experience or worked with an audit firm before?

a. Yes ()

b. No ()

7. If Yes, What was the name of firm and how many years did you spend?

Name of Firm No. Year(s).....

8. Did you work in a banking institution before joining Kwamanman Rural Bank?

a. Yes ()

b. No ()

SECTION B

The following questions relate to the internal control system of the rural bank and the duties of the internal audit of the rural Bank.

1. Does the Bank have internal audit section?

Yes ()

No ()

2. Does the Bank have audit committee as part of their Board?

Yes ()

No ()

3. If yes, what are their duties

- a.....
- b.....
- c.....
- d.....
- e.....

4. Does the Bank have internal Audit Section in all the five Branches?

Yes ()

No ()

5. If No, how are the activities of the other Branches coordinated in respect to the internal audit functions?

6. What are your duties as the internal auditor , Please summarize.

A-----

B.-----

C.-----

D. -----

7. Who approves the hiring of key audit staff appointment?

8. Who supervise(s) your activities or who are you responsible to?

9. Is your recommendation always taken?

Yes ()

No ()

If No. could you please give reasons why?

SECTION C

This section relates to the internal control system of the selected department

1. Do you have specific internal control for

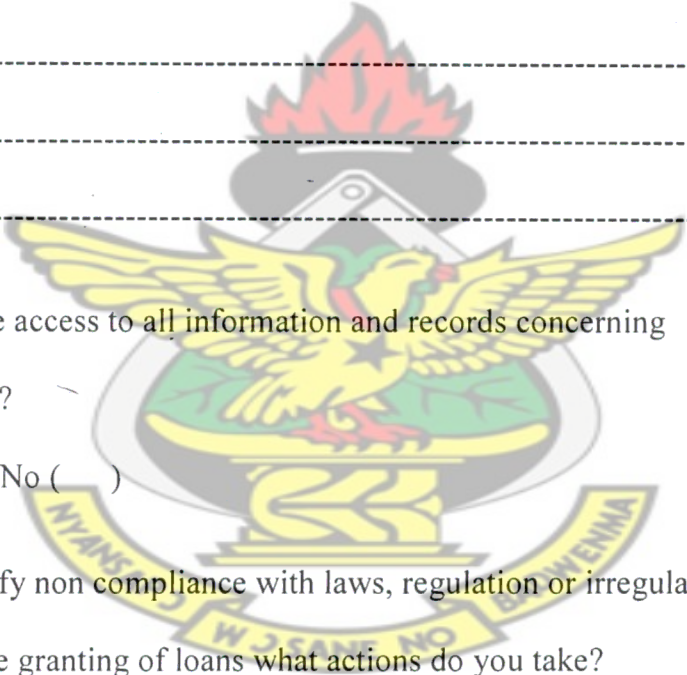
A. granting of loans. Yes () No ()

b. treasury or strong room. Yes () No ()

c. deposits and withdrawal of cash from customers. Yes () No ()

2. If yes, what are some of these specific controls for each?

KNUST



3. Do you have access to all information and records concerning departments?

Yes () No ()

4. If you identify non compliance with laws, regulation or irregularities regarding the granting of loans what actions do you take?

5. What has been the report of the ARP Bank on the internal control system of the Bank?

.....

6. What do you consider to be the strength of the banks internal control system?

7. What do you consider the weaknesses of the banks internal control system?

8. Do you think the control system needs to be improved?

Yes () No ()

9. If yes, what areas need to be improved and why?

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING AND FINANCE

QUESTIONNAIRE FOR PROJECT OFFICER/ CREDIT DEPT

You have been chosen to participate in the study because of your important role as personnel of Kwamanman Rural Bank. Please, respond to this questionnaire in terms of your most sincere beliefs and feelings. There is no right or wrong answers. This is purposely for research and your confidentiality is assured.

SECTION A (PERSONAL DATA)

1. Gender a. Male () b. Female ()
2. Age.....
3. You academic qualification
 - a. Master degree ()
 - b. First degree()
 - c. HND()
 - d. CIB()
 - e. ACCA/ICA()
 - f. Other (Specify)-----
4. How long have you been with the Bank

1 – 2 years ()

3 - 4 years ()

5 – 6 years ()

Above 6 ()

5. Have you worked as a project officer in any other Bank

Yes ()

No ()

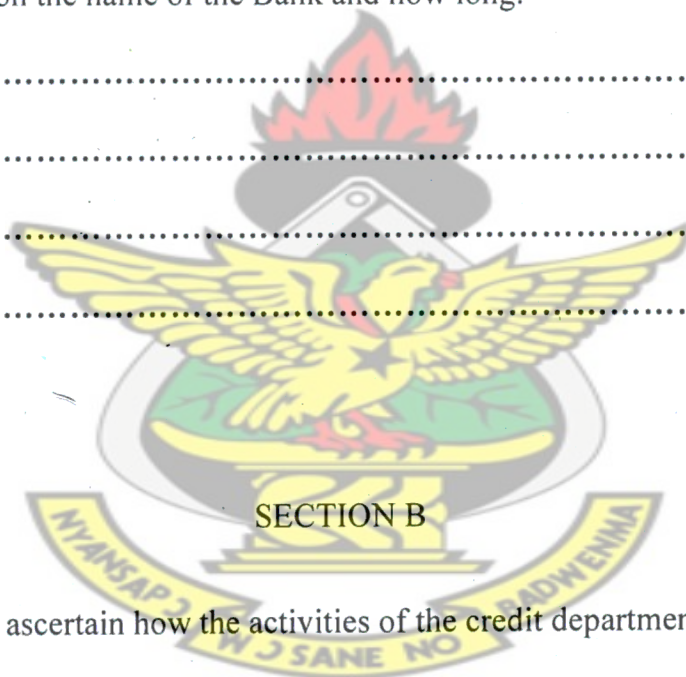
6. If yes mention the name of the Bank and how long.

.....

.....

.....

.....



SECTION B

This section tries to ascertain how the activities of the credit department are carried out visa-a-vi the internal control.

1. Do you have specific procedure you follow in granting of loan? Yes ()

No ()

2. Who design the procedures or update them.

3. What procedures does a loan applicant(s) have to go through before acquire a loan.

4. Describe briefly your duties as a project officer.

5. Does the board periodically review policies and procedures governing granting of loans Yes () No ()

6. If yes, how often.-----

7. Are you monitored for compliance with these policies and procedures?

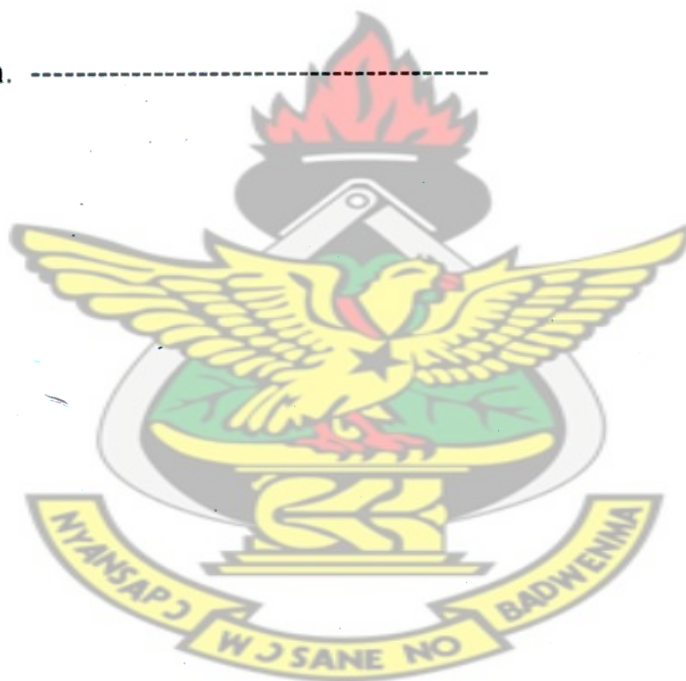
Yes () No ()

8. If yes, who does that? -----

9. Does the internal audit section have a complete access to information and records for assessment? Yes () No ()

10. Does the bank have credit committee or loans committee? Yes () No ()

11. Who finally approves loans to customers? -----
12. Are you given limits on the amount of loans you can approve? Yes () No ()
13. Do you pass entries when loans are approved? Yes () No ()
14. If yes, is it check by other personnel before customer's accounts are credited? Yes () No ()
15. Are you normally taken to different sections of the bank while others take your positions? Yes () No ()
16. If yes, how often. -----



KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING AND FINANCE

QUESTIONNAIRE FOR ACCOUNTS CLERKS

You have been chosen to participate in the study because of your important role as personnel of Kwamanman Rural Bank. Please, respond to this questionnaire in terms of your most sincere beliefs and feelings. There is no right or wrong answers. This is purposely for research and your confidentiality is assured.

SECTION A (PERSONAL DATA)

1. Gender
- a. Male () b. Female ()
2. Age.....
3. You academic qualification
- a) Master degree ()
- b) First degree ()
- c) HND ()
- e) CIB ()
- f) ACCA/ICA ()
- g) Others, (Specify) -----

4. How long have you been with the Bank?

1 – 2 years ()

3 - 4 years ()

5 – 6 years ()

Above 6 ()

5. Have you worked as an accounts clerk in any other Bank?

Yes ()

No ()

8. If yes, mention the name of the Bank and how long?

Name-----Year-----

SECTION B

This section relates to duties of the accounts clerks and how their duties are carried out.

1. Were you given orientation about the banks culture and ethical principles?

Yes () No ()

2. If yes, what is the banks ethical principles and culture?

3. Does the Bank and top officers or managers review policies and procedures relating to opening of current account, savings and deposit and withdrawal?

Yes () No ()

4. If yes, how often. -----

5. If non- compliance with the above are noticed, does the Bank take appropriate actions? Yes () No ()

6. Are clerks punished if non compliance with the above are noticed?

Yes () No ()

7. Does management have access to all documents and records relating savings, and current accounts? Yes () No ()

8. What documents are kept for savings account holders and current account holders

9. What conditions need to be met before withdrawals are made by customers?

10. Are the transactions or entries you passed have to be authorized by other personnel? Yes () No ()

11. If yes, who authorized them? -----

12. Are personnel filling withdrawal forms for illiterate customers the same as these given or accepting cash and updating ledger cards? Yes () No ()

13. Does internal auditor frequently verify your activities? Yes () No ()

14. If Yes, how often. -----

15. Briefly mention some of your duties as an accounts clerk of the bank.

